FAHNESTOCK VINER HOLDINGS INC.

1996 ANNUAL REPORT

FAHNESTOCK

ESTABLISHED 1881

FAHNESTOCK VINER HOLDINGS INC.
1996 ANNUAL REPORT

(1) #70

Fahnestock Viner Holdings is a holding company that through its subsidiaries provides a broad array of financial services. Its principal subsidiary is Fahnestock & Co. Inc., a leading securities firm. Fahnestock Asset Management and Hudson Capital Advisors provide investment advisory services. Freedom Investments, Inc. operates a retail discount brokerage firm.

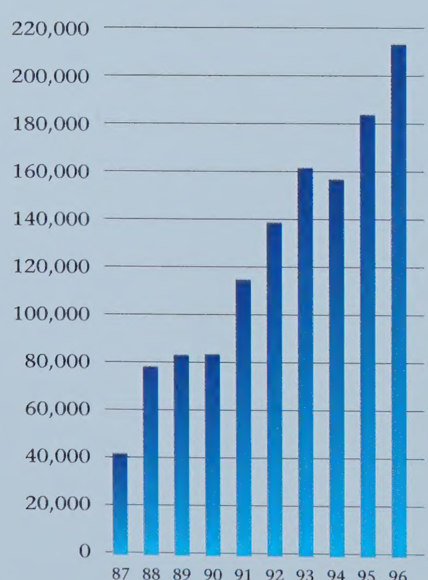
FINANCIAL HIGHLIGHTS
(In thousands of U.S. dollars except share amounts)

	1996	1995	1994	1993
Gross Revenue	**$213,988**	$184,433	$157,253	$161,985
Operating Profit (Loss)**	**$53,902**	$34,831	$20,966	$32,863
Net Profit (Loss)	**$30,279**	$20,899	$11,780	$19,022
Profit (Loss) per Share	**$2.42**	$1.70	$0.96	$1.59
Total Assets	**$519,916**	$623,466	$510,636	$428,315
Shareholders' Equity	**$135,877**	$107,405	$88,788	$78,460
Book Value per Share	**$10.99**	$8.92	$7.34	$6.54
Total Shares Outstanding	**12,365**	12,040	12,095	11,998

*Restated to conform with financial statement presentation adopted in 1989.
**Profit (Loss) before non-recurring items and income tax provision

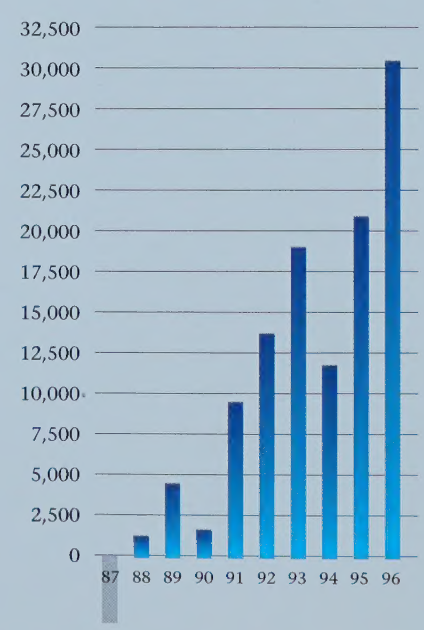
GROSS REVENUE

(US$ thousands)



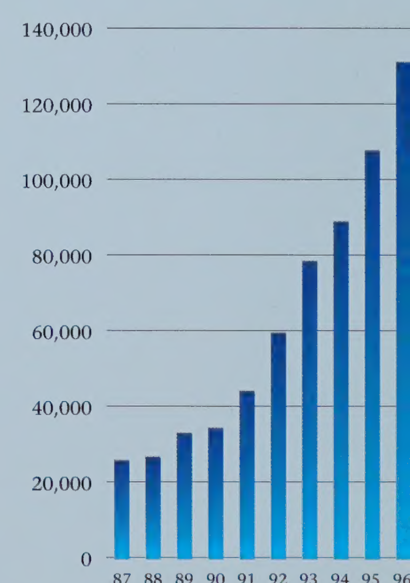
NET PROFIT (LOSS)

(US$ thousands)



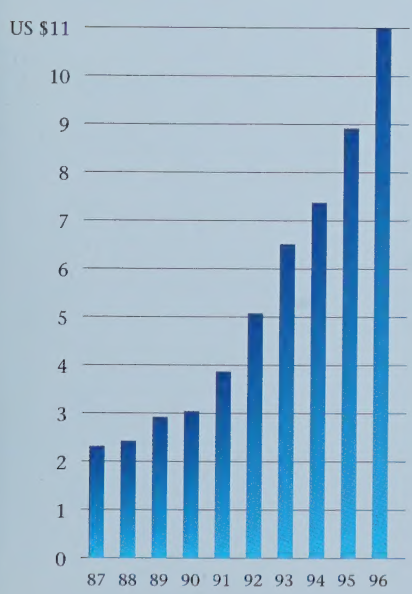
SHAREHOLDERS' EQUITY

(US$ thousands)

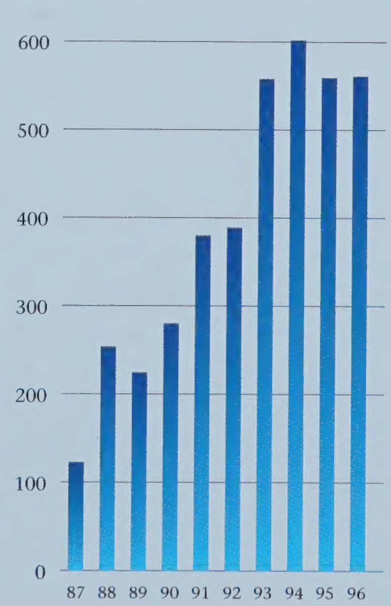


1992	1991	1990	1989	1988	1987
$139,156	$116,176	$84,036	$83,145	$79,582*	$41,379*
$22,949	$14,866	$1,868	$4,730	$1,224	$4,696
$13,823	$9,401	$1,668	$4,730	$1,224	($2,798)
$1.19	$0.83	$0.15	$0.42	$0.11	($0.25)
$318,799	$236,745	$209,355	$214,769	$255,467	$135,795
$59,817	$44,335	$34,275	$32,607	$27,877	$26,653
$5.06	$3.88	$3.04	$2.90	$2.48	$2.37
11,828	11,441	11,251	11,251	11,251	11,251

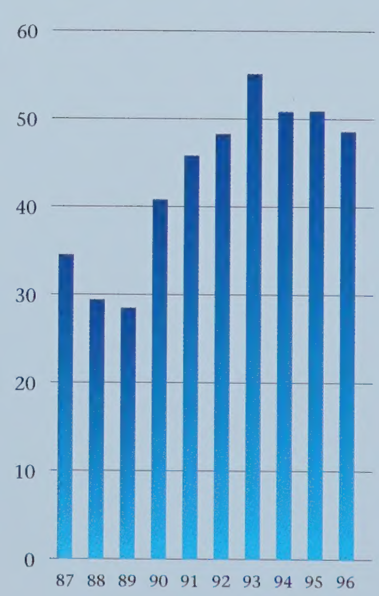
BOOK VALUE PER SHARE



FINANCIAL CONSULTANTS



BRANCH OFFICES



TO OUR SHAREHOLDERS

Fiscal 1996 was a year in which Fahnestock Viner Holdings reached and surpassed many of the goals we had set for ourselves in the recent past. Revenues and earnings reached record levels for the second consecutive year, and our yearend results surpassed all previous years by a substantial margin. Performance was aided by a healthy national economy, relatively steady interest rates, and new records that were set in the stock market. The DJIA reached two new milestones of 5000 and 6000, and the NYSE average daily volume moved up to 412 million shares per day, an increase of 19%. In 1996, net investment in equity mutual funds in the U.S. totaled a staggering $222 billion, as individual investors sought growth in their financial assets, diversification, and an expanded universe of financial options.

For the year, revenues reached $213,988,000, compared to $184,433,000 in the prior year, an increase of 16%. Net earnings were $30,279,000, or $2.42 per share , an increase of 45% from net earnings of $20,899,000, or $1.70 per share in 1995. Our stockholders' equity increased to $135,877,000 from $107,405,000 an increase of 26.5%. Key measures of our performance are after tax return on opening stockholders' equity which was 28%, and pretax return on shareholders' equity which was 50%. Both of these key measures continued their pattern of improvement and were among the best in our industry. Our pre-tax return on revenues of 25% was also among the best in our industry and the book value of our shares increased from $8.92 to $10.99 per share, an increase of 23%.

At yearend, the Company operated 47 branch offices in 15 states, as well as our successful offices in Argentina and Venezuela. During the year we hired 53 new investment consultants with average production levels that exceeded the average for our existing investment consultants. At yearend, there were 567 investment consultants associated with our firm.

This year we made a determination that the long term success of Fahnestock required making our name better known to the investing public. As a result, the entire company adopted the "Fahnestock & Co." trademark, and now all of our clients do business with Fahnestock & Co. We have retired the well respected local franchises of BC Christopher, WH Newbold's and Reich & Co. This change appears to have been well received by both our clients and our employees, and we believe this change will serve us well in the years to come.

During the past year, we continued our efforts to develop better solutions and more options for our clients seeking to fulfill their diversified investment needs, which include retirement planning, asset diversification, and advice on the deployment of their increasing stake in the capital markets. We intend to distinguish our investment consultants as one-stop service providers. We are moving aggressively to anticipate our customers' future investment needs, so that armed with this knowledge, we may give our investment consultants a competitive advantage in an ever more crowded financial marketplace. We intend to demonstrate that we have a superior understanding of our clients' requirements, and that we can move quickly to develop solutions for those needs.

- During the past year we have developed comprehensive retirement planning services, for the individual and small business. This is in response to the widespread interest in the creation of greater financial resources for security in retirement, as investors look forward to reliance for longer periods on their investments. The increased utilization of 401K plans and expanded spousal IRA's required stronger support for our investment consultants.
- We recently introduced a web site on the Internet, where clients can visit on a regular basis to get current market updates, stock prices, updated portfolio information, research reports, and general financial information on items of interest, whether it be on long term financial planning, mutual fund selection, bond market updates and offerings, or simply to leave an e-mail message.
- With the expanded interest in no-load funds and all encompassing fee-based products, we have created programs to fit investors interested in changing the mix of investments in their portfolios, as well as streamlining and simplifying the way they pay for their desired services.

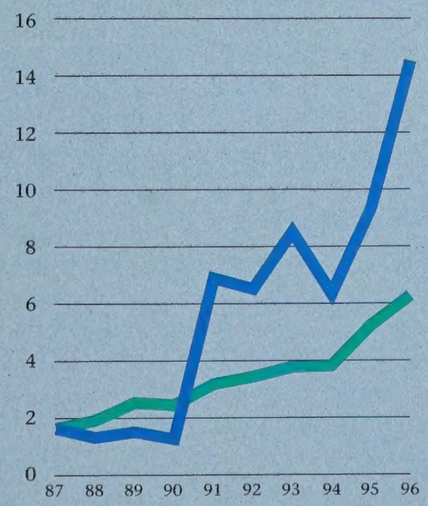
During 1996, our capital markets division made a record contribution to the company's profitability. We were particularly pleased with our ability to attract Robert Sablowsky, as Senior Vice President. He has overseen many of the new inroads made recently in the area of Capital Markets. Bob brings a strong record of accomplishment, and we believe he will substantially strengthen our management depth at Fahnestock.

■■THE■NYSE■WELCOMES■■FAHNESTOCK■VINER.HOLDINGS■INC■■SYMBOL.FVH■■AUGUST 28■1996 SHARES 100 PRICE 14-1/2 POST LOCAT 4

From left, Albert G. Lowenthal, Chairman of the Board, Fahnestock Viner Holdings Inc. and Richard A. Grasso, Chairman and CEO of the New York Stock Exchange.

Listed NYSE
THE NEW YORK STOCK EXCHANGE

Stock Price History
(In U.S. Dollars)



Fahnestock

Standard & Poor's 500 Stock Index

- Strong equity markets and a less volatile bond market allowed us to take advantage of our status as a strong market-making firm in the Over-the Counter Nasdaq Market. At year-end our OTC department was making markets in over 1800 different issues and the staff had increased to 29. We made a substantial investment in our computer systems to develop an advanced "quote engine," so that we could conform to the dramatic changes taking place in the NASDAQ market. It is yet to be seen how the new standards will effect the liquidity and volatility of this important market, but we are confident that Fahnestock, with strong trading talent and substantial capital will remain an important and profitable player in this area of our business.
- Substantial progress was made in our taxable fixed income dealer departments. We opened new trading facilities in Florida to trade mortgage-backed securities and a new office in San Francisco, to underwrite and trade in U.S. Government Agency securities (Federal Home Loan Bank, Fannie Mae, Sallie Mae, etc.) Our admission to the elite group of dealers selected by the U.S. Agencies was a tribute to our financial stature and, more importantly, our ability to attract experienced and capable people in this field.
- Our public finance efforts were substantially improved from the prior year. We managed or co-managed over $795 million in new municipal bond issues, despite the fact that, the municipal bond market continued to suffer from low levels of bond issuance and substantially reduced profit margins. Low interest rates and future taxation issues continue to dampen investor interest in tax-free securities.
- Investment banking engagements were more diversified than ever before, reflecting our improved capabilities. We completed the largest merger engagement in our history with a three-way merger that involved total consideration of $250 million. A new capability in securitization of cash flow streams led us to close an innovative $50 million transaction that securitized the future royalties of singer David Bowie, and earned a A/A3 rating from major rating services.

During the year the Company made several key decisions which we believe will make our company more attractive to investors, and over the longer term improve our stock market performance, thus rewarding our loyal

shareholder base. These actions included the conversion in February to a quarterly dividend, in lieu of the annual dividend that had been paid in previous years. Equally important was our application and acceptance for listing on the New York Stock Exchange, where we trade under the symbol FVH. We believe that both of these actions, as well as record earnings and heightened interest in securities firms, have already rewarded our shareholders, as our stock price rose from US$8.50 to US$14.63 during calendar 1996. For 1996, Fahnestock shareholders realized a total return (share price appreciation plus dividends) of 76%, versus 20.25% for the S&P 500-stock index. Over the longer term, for the ten years ending December 31, 1996, our cumulative compounded shareholder return was 786% versus about 306% for the S&P 500. In addition the Board extended its plan to repurchase the Company's Class A non-voting shares, from time to time, at prices deemed attractive.

At Fahnestock, our purpose is to create genuine value. This means managing our business in a way that creates the highest overall return for our stakeholder groups. This leads to superior value for stockholders, increased opportunity for employees, and greater levels of service and investment advice for clients. We also intend to exceed client expectations for timely research ideas, and usable, up-to-date information about their investments and their accounts. In this way, we believe that we will be the provider of choice in our markets. We believe that this is the proper strategic focus for our company. As we move ahead in the pursuit of genuine value, we continue to follow twin strategies of: continuous improvement- embodying innovation, efficiency, effective business strategies, and a passion for excellence- and profitable growth, which will be accomplished through the pursuit of new markets and investment products that meet investors needs as we approach the 21st Century. Tremendous opportunities exist today, and we believe that positive economic factors and favorable demographics create attractive prospects for expanding our business into new market segments.

Since yearend, recent developments appear to have placed greater interest in those securities firms whose principal business is the servicing of the individual client. The proposed merger of Morgan Stanley, the pre-eminent investment bank in the U.S. and Dean Witter Discover has created a newly discovered awareness of the need for financial institutions to have access to, and relationships with, the individual investor. The spectacular growth in mutual funds and self-directed employee benefit plans appears to have focused non-industry players on the unique and intimate relationship between securities firms and their clients. Banks, insurance companies, and large investment banks have become aware that, in many cases, the individual financial consultant is the gatekeeper to the financial decisions made by individuals and families. This awareness, while recently discovered by others, has long been the cornerstone of Fahnestock's strategy. We have sought out firms and individuals, whose professionalism and close professional relationships with clients, make them an effective bridge to understanding the needs of high net worth clients, looking for the advice and services, that will help them to diversify and protect their investments.

By virtually every indication, Fahnestock is poised for another solid year. Based on the present outlook for a strong domestic economy, healthy financial markets and a strong U.S. dollar, we believe Fahnestock can further increase its book value on the strength of a solid balance sheet. We continue to be impressed by a fundamental fact: the more we accomplish, the more opportunity for further improvement and growth we see.

As managers of a successful enterprise, we are thankful for our good fortune, aware that all things change, and always bear in mind that none of our achievements would be possible without the loyalty of our clients, and the consistent effort made each day by our employees. Their efforts give us the confidence to say that Fahnestock's best years still lie ahead.

Albert G. Lowenthal
Chairman of the Board
Fahnestock Viner Holdings Inc.

INVESTMENT SERVICES

Today, more than ever before, the individual investor depends on his full service financial advisor to steer him to a secure future. Fahnestock & Co., through its 567 investment consultants, is better prepared than ever before to fulfill this essential role. In an environment where the percentage of adult Americans owning stocks has doubled in the past six years, our clients appreciate the high level of service afforded them at Fahnestock. Up-to-date informative research ideas are particularly sought after in the fast moving markets of today. Increasingly, investors require assistance in interpreting the glut of information about their investments which is available through specialized television, magazines and newspapers, the Internet, and through unsolicited advice from friends and neighbors.

Our experienced staff of professionals can take the specialized needs of each client and recommend, with confidence, a program of investments weighted to match the client's tolerance for risk, need for income and security, and with an appropriate diversification of asset classes. Our investment consultants work closely, and individually, with each client to develop and implement investment strategies tailor-made to achieve the client's investment objectives. This level of attention and care is not available from companies selling only particular families of mutual funds, insurance products, or discount programs aimed at the active trader.

Retirement planning is of particular interest to today's busy baby boomer. The broad shift towards defined contribution pension plans and 401k profit-sharing plans has substantially increased the need for investment sophistication.This coupled with the desire for broad diversification through mutual funds, variable life insurance, investment annuities, and "wrap programs" accounts for an increasing share of our attention.We have educated our investment consultants to increase their ability to answer these important client questions, provide customer service, and deliver the speedy executions and market commentary that our clients have come to rely on. Our recently introduced Internet homepage (www.fahnestock.com) allows clients to review their accounts, check the market, new offerings, and request research, as well as perform some of their own investment planning. They can also download data to their personal computer database management programs.

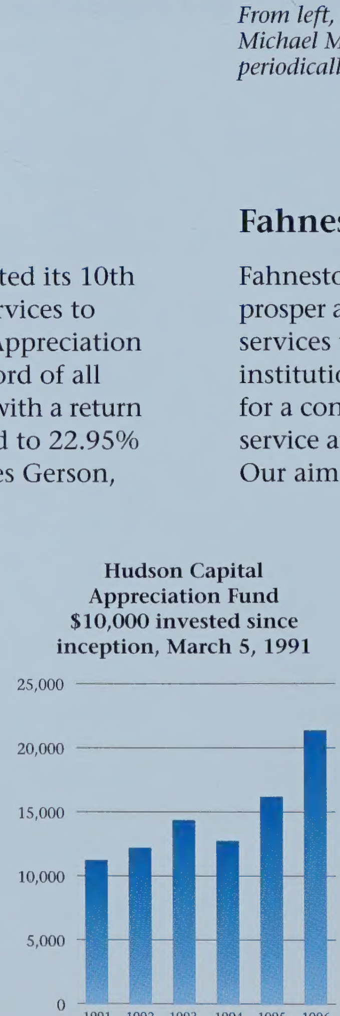
ADVISORY SERVICES

From left, Jonathan Nadler, Harvey Ross and Michael Mendelson of Fahnestock Asset Management periodically meet to discuss investment strategy.

Hudson Capital Advisors

Hudson Capital Advisors has just completed its 10th year of providing investment advisory services to investors. For 1996, the Hudson Capital Appreciation Fund had the third best performance record of all growth equity funds in the United States, with a return of 40.04% including dividends, compared to 22.95% for the Standard & Poors 500 Index. James Gerson, the portfolio manager for Hudson, has introduced a highly rewarding investment strategy, with emphasis on identifying well managed companies, both large and small, that are poorly perceived or not followed by the investment community. During the coming year the fund will be available to many more investors as a result of its adoption of a no-load format and admission to many of the mutual fund marketplaces. Hudson continues to service individual and institutional investors with this effective investment philosophy.

Hudson Capital Appreciation Fund $10,000 invested since inception, March 5, 1991



Fahnestock Asset Management

Fahnestock Asset Management continues to grow and prosper as it offers comprehensive investment advisory services to high net worth investors, non-profit institutions, foundations and other investors looking for a conservative philosophy that combines personal service and an emphasis on competitive performance. Our aim continues to be competitive returns over a longer investment horizon, with particular attention to the preservation of capital. Our client base includes investors with portfolios that may be as small as $250,000, or as large as $30,000,000; all receive the attention necessary to achieve their investment intent, whether the goal is for growth, income, or a mixture of both. Our service to individuals has come to be multi-generational, due to a unique ability to address the widely divergent needs of our clients. This is the level of service that will be necessary as we approach the 21st Century.

INSTITUTIONAL SERVICES

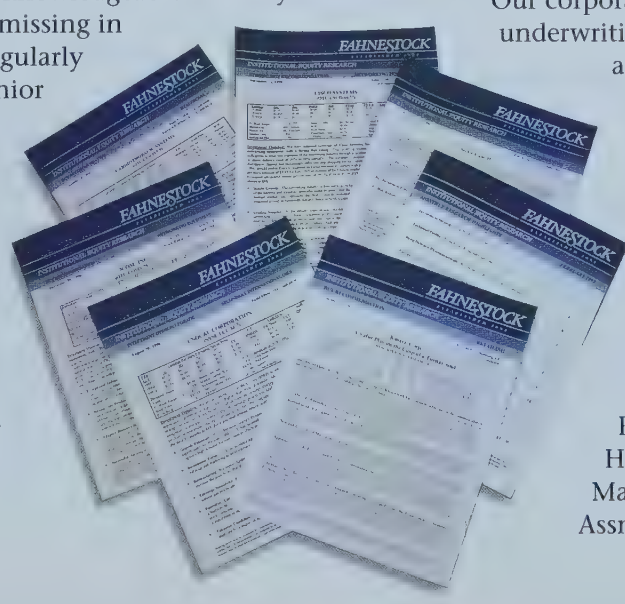
Marathon Group deep water exploration drilling in the Gulf of Mexico.

At a luncheon meeting, arranged by Fahnestock, Thomas J. Usher, center, Chairman of the Board and CEO of USX Corporation, presented USX's outlook for the Marathon Group and the U.S. Steel Group. At the left is Fadel Gheit, Fahnestock's energy analyst and at the right is James N. Rudolph, Fahnestock's steel, mining and metals analyst.

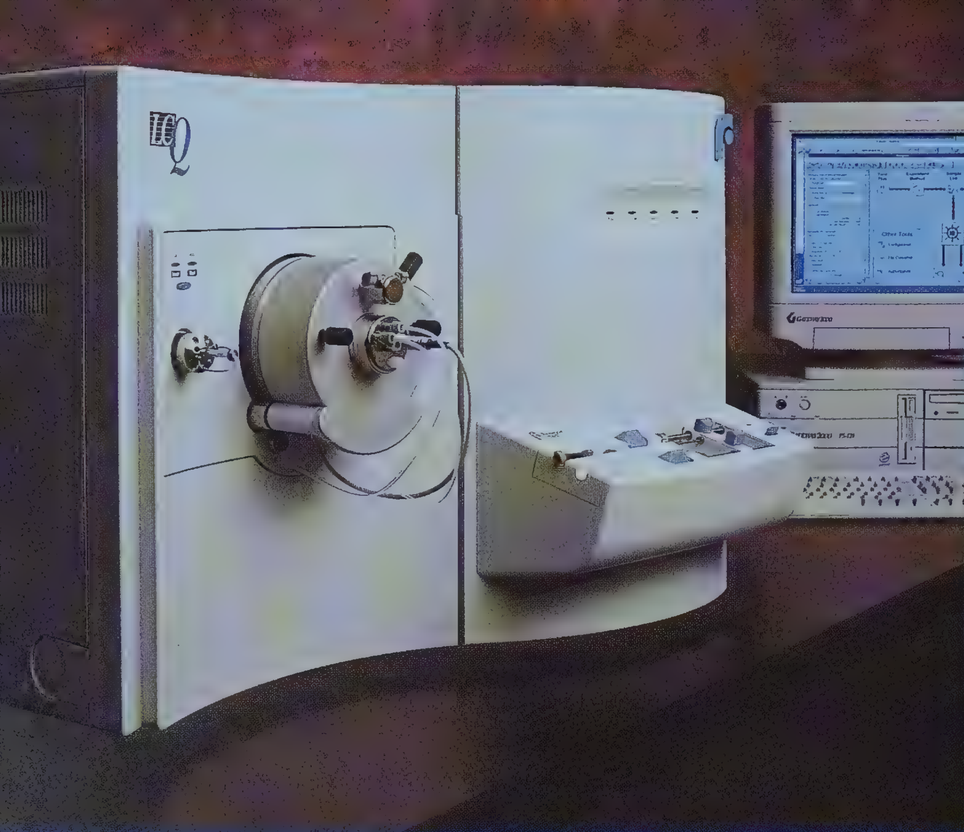
Molten iron from the blast furnace is charged (poured into a basic oxygen steel making furnace at U.S. Steel Group's Gary (Indiana) Works.

Fahnestock & Co. has always understood the close relationship between informative action-oriented research, the delivery of these ideas to institutional clients, and the ability to act on the ideas through a strong and effective trading department. Our research effort emphasizes areas of the market where we believe that Fahnestock can add value to a portfolio manager's investment horizons. With research analysts that have relevant industry experience, Fahnestock's analyst can add the perspective of a knowledgeable industry veteran, that is often sorely missing in securities analysis. We are regularly able to bring members of senior management together with institutional investors for a productive interchange of ideas and an update on company progress.

Effective and speedy execution of large block orders for institutional clients is the hallmark of Fahnestock service. Whether the order is for a security in which we have a strong institutional following, or not, our experienced traders will utilize the best technology available to give clients an accurate perspective on current interest, and then fill the client's order. In the rapidly evolving NASDAQ market, Fahnestock's presence as a market- maker in over 1800 NASDAQ issues adds depth and liquidity for our clients.



In the fixed income markets, Fahnestock maintains dealer markets in both taxable and tax-free markets. Our corporate bond expertise includes the underwriting and trading of both high grade and high yield issues as well as new issue preferreds. We also have established particular expertise in the trading of project loans, both in the secondary market as well as newly issued offerings. Through our newly opened San Francisco office, Fahnestock is now an underwriter and dealer in government agency issues of the Federal Home Loan Bank, Federal Home Loan Mortgage Corp. (Freddie Mac) and Student Loan Marketing Assn. (Sallie Mae).



INVESTMENT BANKING

In 1996, Fahnestock co-managed the $52 million IPO for ThermoQuest Corporation. ThermoQuest's LCQ™, a liquid chromatography/mass spectrometer is pictured above.

Fahnestock managed an equity offering for New West Eyeworks, Inc. a leading specialty retailer of eyewear. One of New West's 148 value-priced optical stores operating under the "Vista Optical" tradename is pictured above.

In 1996, Fahnestock's investment banking department helped corporate clients take advantage of robust capital markets to raise funds, and effect strategic acquisitions. During the year, we managed initial and follow-on public stock offerings of approximately $125 million and private placements of convertible securities which aggregated $50 million. Our advisory assignments included a complex international merger transaction of $250 million, the largest in Fahnestock's history.

Our New York based group of experienced professionals continued to assist a broad range of emerging growth and middle market companies in achieving their financial and strategic goals. During 1996, we completed assignments for clients in the following sectors; agricultural equipment, analytical instruments, financial services, general manufacturing, healthcare, information services and telecommunications. We continue to draw upon the expertise of our equity research analysts who follow a number of these industries. Our range of investment banking products and services includes initial and secondary public offerings, private placements of senior debt, mezzanine and equity capital, merger and acquisition advisory services, fairness opinions, bankruptcy/reorganization advisory services, and corporate and securities valuations.

This year Fahnestock opened a department to aid corporate issuers with structured finance and asset-backed securitizations. The Structured Asset Sales Group, specializes in warehouse lines, emerging asset class securitizations, subdebt, debt and equity private placements, and debentures. Acting as exclusive agents, Fahnestock Asset Sales Group handles the sales and securitization of music royalties, future receivables, insurance premium finance loans, entertainment royalties, sub-prime auto loans, as well as other loans and receivables for business. The group's experience includes over $1 billion in transactions. The group can handle the complete transaction, from evaluation to placement. To facilitate the best possible outcome for securitization transactions, the group brings Fahnestock's bond underwriting and distribution capabilities to every transaction

Public Finance 1996 Issues

$42,750,000
Kansas Turnpike Authority
Turnpike Revenue Bonds

$20,000,000
Kansas City, Missouri
Kemper Arena Revenue Bonds

$16,290,000
North Kansas City School District
General Obligation Bonds

$16,750,000
Branson, Missouri
Tax Increment Allocation Bonds

$9,980,000
Jackson County, Missouri
Truman Medical Center
Revenue Bonds

$9,720,000
Marineland Foundation, Inc.
Florida Public Improvement
1st Mortgage Bond

$7,405,000
Berkeley County, West Virginia
Taxable Lease Revenue Bonds
(IRS office expansion)

PUBLIC FINANCE

A Harley Davidson plant (top) and the Marriott Muehelbach Hotel (center) in Kansas City, MO were both financed by Fahnestock & Co.

Rignt, project team reviews plans of urban development financed by Fahnestock with Variable Rate Demand Revenue Bonds. Left to right, Mark Bunnell, President-Kansas City Economic Development Corporation; Jim Glover, Kansas City, Missouri City Councilman; Susan Stessman, K.C. EDC-Marketing Director; Jack Holland, Executive Vice President, Fahnestock.

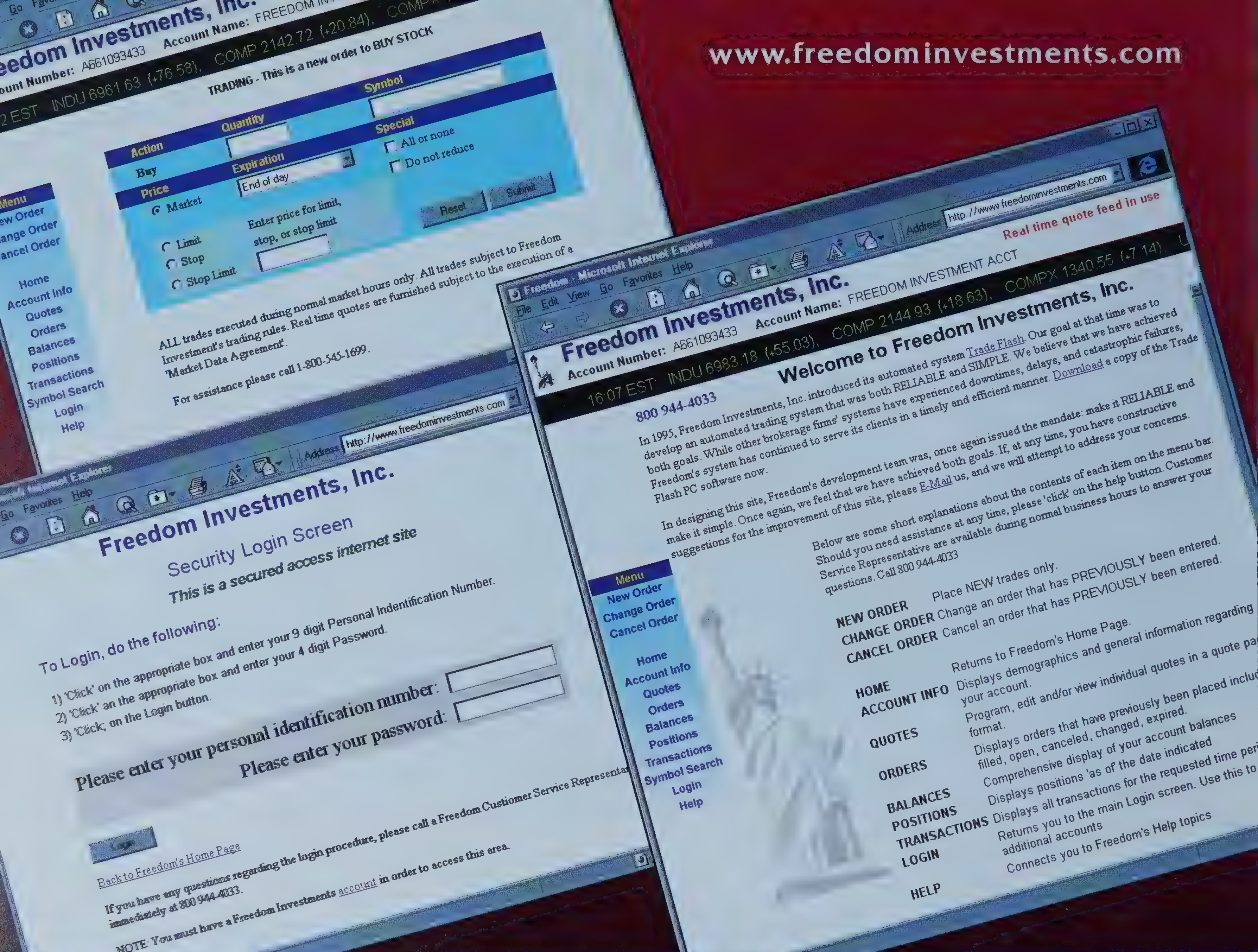
The Fahnestock Public Finance Department delivers state-of-the-art financing alternatives to government issuers such as states, cities, school districts and their respective agencies. The firm's professionals provide a hands-on approach to the delivery of public finance services unavailable from the financial service conglomerates. Fahnestock professionals work on a broad range of projects and financings, both in terms of size and complexity and work with the client from initial contract to completion, and thus afford each of our clients the benefit of this broader experience. Current trends in public finance have led to a focus on economic development projects while continuing to execute traditional public facility financings.

Economic Development Projects

During 1996, the Fahnestock Public Finance Department worked on a number of financings that utilized the firm's skills at raising capital for public-private partnerships that addressed the economic development needs of our municipal clients. The firm underwrote a Variable Rate Demand Revenue Bond issue that was used to fund commercial and retail redevelopment in midtown Kansas City, Missouri. Fahnestock provided placement services for community colleges throughout Missouri in the financing of Job Training Certificates for companies such as Cerner Corp., Harmon Industries, Schreiber Foods, Inc., Fibreboard, Inc., and Graphic Technologies, Inc. The firm provided economic development financing for Harley-Davidson, Inc., in conjunction with the building of a new manufacturing plant scheduled to open in 1997. In addition, the firm continued to be a leader in the rapidly developing market for tax increment financing.

Public Facility Projects

Fahnestock continues to provide public finance services to its traditional municipal bond issuer clients, including: states, counties, cities, school districts, colleges, health care providers and public authorities. In 1996, these clients included issuers throughout Kansas and Missouri. The projects completed in the past year included both tax-exempt and taxable underwritings. The expertise of the Public Finance Department professionals assures our clients access to the latest developments in the public finance markets.



FREEDOM INVESTMENTS, INC.

Formed in 1995, Freedom Investments, Inc. provides on-line brokerage services to individual investors who do their own research and make their own investment decisions. Using Freedom's state-of-the-art software, individual investors can access their accounts and enter orders, obtain quotes, review positions, and check their account balances.

Processing securities transactions via the internet is growing at a rapid pace. To meet the demand of these "cyber traders", Freedom recently unveiled its fully functional Internet website (see above) which gives clients an additional means of accessing their account. Although trading via the Internet provides the same functionality that is currently available using a proprietary network, Internet trading allows the client to access their account from any computer, anywhere in the world, without having to use proprietary software. All the client needs is a connection to the Internet and a Freedom account.

During fiscal 1996, Freedom, through its national advertising campaign, more than doubled its client base which resulted in a substantially increased average daily trading volume. Planned product expansion, including the offering of no load mutual funds, should greatly enhance Freedom's ability to attract new clients. During 1997, Freedom intends to continue to capitalize on its state-of-the-art technology to attract and service cost-conscious, independent investors.

1996 FINANCIAL REVIEW

FAHNESTOCK VINER HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Environment

Fahnestock & Co. Inc. ("Fahnestock"), the Company's principal operating subsidiary, provides brokerage and related investment services. Fahnestock is engaged in proprietary trading and offers other related financial services to investors in fifteen states from 47 offices in the North-eastern United States, the Midwest, Florida and California, and from two associated offices in Caracas, Venezuela and Buenos Aires, Argentina. Client assets entrusted to the Company as at December 31, 1996 totalled approximately $9 billion. Fahnestock is licensed to offer brokerage and other financial services in all 50 States. The Company provides investment advisory services through Hudson Capital and through Fahnestock Asset Management and Newbold Investment Advisors, operating as divisions of Fahnestock. Funds under management by the asset management groups totalled $800 million at December 31, 1996. The Company also operates a discount brokerage business based in Omaha, Nebraska, through Freedom Investments, Inc..

The securities industry is highly competitive and sensitive to many factors and is directly affected by general economic and market conditions, including the volatility and price level of securities markets; the volume, size, and timing of securities transactions; the demand for investment banking services and changes in interest rates, all of which have an impact on commissions, trading and investment income as well as on liquidity. In addition, a significant portion of the Company's expenses are relatively fixed and do not vary with market activity. Consequently, substantial fluctuations can occur in the Company's revenues and net income from period to period due to these and other factors.

The Company anticipates increasing competition from commercial banks and thrift institutions as these institutions begin to offer investment banking and financial services traditionally only provided by securities firms. The Company also anticipates increasing regulation in the securities industry, making compliance with regulations more difficult and costly. At present, the Company is unable to predict the extent of changes that may be enacted, or the effect on the Company's business.

The Company's long-term plan is to continue to grow existing offices by hiring experienced professionals, thus maximizing the potential of each office and development of existing trading, investment banking, investment advisory and other activities. Equally important is the search for viable candidates for acquisition. As opportunities are presented, it is the intention of the Company to pursue growth by acquisition where a comfortable match can be found in terms of corporate goals and personnel and at a price that would provide the Company's shareholders with value.

Results of Operations

A strong U.S. economy with low unemployment and stable interest rates set the stage for U.S. stock markets to reach record levels in 1996. With inflation at unusually low levels, investors showed their confidence in the investment environment by adding record amounts into equity mutual funds.

The Company's revenues in fiscal 1996 increased by 16% compared to fiscal 1995 reflecting the strong retail environment in 1996 which produced record commission revenues for the Company as well as record profits from principal transactions in the firm's proprietary trading departments. Underwriting and investment advisory fees increased 33% and 26%, respectively, in 1996 compared to 1995. Net profit in fiscal 1996 was $30,279,000 or $2.42 per share, up 45% from $20,899,000 or $1.70 per share in 1995 which was up 77% from $11,780,000 or $0.96 per share in 1994.

The following table summarises the changes in the major revenue and expense categories from the consolidated statement of operations for the past three fiscal years ended December 31, 1996, 1995 and 1994.

Period to Period Change

Increase (Decrease)

	1996 versus 1995	
	Amount	% Chang
Revenues-		
Commissions	$ 4,920,000	7.1
Principal transactions	24,078,000	42.7
Interest	(3,252,000)	–9.0
Underwriting fees	2,132,000	32.6
Advisory fees	2,938,000	26.1
Other	(1,261,000)	–25.7
	29,555,000	16.0
Expenses-		
Compensation	15,008,000	17.2
Clearing and exchange fees	(249,000)	–3.3
Communications	(16,000)	–0.1
Occupancy costs	871,000	9.4
Interest	(5,216,000)	–24.2
Other	86,000	1.0
	10,484,000	7.0
Profit before taxes	19,071,000	54.8
Income taxes	9,691,000	69.6
Net profit	$ 9,380,000	44.9

Fiscal 1996 compared to Fiscal 1995

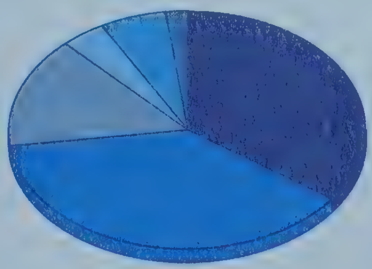
In fiscal 1996, a healthy U.S. economy with stable interest rates and low inflation, sent the U.S. equity market to record-breaking highs. Retail commission volumes broke 1995 record levels as the Dow Jones Industrial average and all other major indices established new highs. Total revenues for 1996 were $213,988,000, up 16% over $184,433,000 in 1995. Commission income in 1996 was $73,992,000, up 7% over $69,072,000 in 1995. Commission income (the income realized in securities transactions for which the company acts as agent) increased primarily due to a general increase in market volumes in 1996 compared to 1995. Principal transactions (revenues from transactions in which the company acts as principal in the secondary market trading of over-the-counter equities and municipal, corporate and government bonds) was $80,508,000, up 43% from $56,430,000 in 1995. This increase was due primarily to higher activity levels and profits from the over-the-counter trading department and the convertible bond department. Underwriting fees in 1996 were $8,672,000, an increase of 33% over $6,540,000 in 1995. With the strong market in corporate Initial Public Offerings (IPO) business in 1996, the Company was able to increase its underwriting business compared to 1995. Public finance issuance improved from 1995's depressed levels. Advisory fees in 1996 were $14,189,000, an increase of 26% over $11,251,000 in 1995. The increase is attributable to the increasing value of assets managed and the timing of receipts of fees due for such management. In September, 1996 assets under management were significantly reduced as a result of the retirement of a key employee of the Hudson Capital Advisors division. Other revenue was lower in 1996 than 1995 which included a life insurance benefit which did not recur in 1996.

Interest income was $32,981,000, a decrease of 9% from $36,233,000 in 1995. Interest expense was $16,311,000, a decrease of 24% from $21,527,000 in 1995. This decrease is primarily the result of lower stock loan/stock borrow balances in 1996 compared to 1995. Net interest revenue of $16,670,000 (interest revenue less interest expense) increased 13% in 1996 compared to 1995.

Expenses totalled $160,086,000 in 1996, an increase of 7% over $149,602,000 in 1995. Compensation and related expenses, which are largely revenue-driven were $102,059,000 in 1996, an increase of 17% over $87,051,000 in 1995. Clearing and exchange fees were $7,262,000 in 1996, a decrease of 3% from $7,511,000 in 1995 due to the redirection of many transactions away from Exchanges. Communications costs of $15,002,000 in 1996 decreased slightly compared to $15,018,000 in 1995. Occupancy costs were $10,176,000, an increase of 9% compared to $9,305,000 in 1995. This was due to an increase in the cost of leasing premises and equipment, primarily due to the commencement of business of Freedom Investments in late 1995.

1995 versus 1994	
Amount	% Change
$ 7,813,000	12.8%
11,696,000	26.1
12,621,000	53.5
(4,590,000)	−41.2
(1,616,000)	−12.6
1,256,000	34.4
27,180,000	17.3
3,427,000	4.1
408,000	5.7
29,000	0.2
(172,000)	−1.8
9,741,000	82.6
(118,000)	−1.3
13,315,000	9.7
13,865,000	66.1
4,746,000	51.7
$ 9,119,000	77.4%

Composition of 1996 Revenue



Fiscal 1995 compared to Fiscal 1994

In fiscal 1995, a reduction in U.S. interest rates set the stage for record markets. Retail commission volumes reached record levels and the Dow Jones Industrial average and other major market indices set new records. Total revenues for 1995 were $184,433,000, up 17% from $157,253,000 in 1994. Commission income was $69,072,000, up 13% from $61,259,000 in 1994. Commission income increased primarily due to a general increase in market volumes in 1995 compared to 1994. Principal transactions was $56,430,000, up 26% from $44,734,000 in 1994. This increase was due to higher activity levels in government, corporate and municipal bond trading and trading in the OTC market. Interest income was $36,233,000, up 53% from $23,612,000 in 1994. This increase reflects higher customer debit balances 1995 compared to 1994. Underwriting fees (which have historically been weighted in favour of municipal business) declined in 1995, down 41% to $6,540,000 from $11,130,000 in 1994. Although the market for corporate new issue business increased in 1995 compared to 1994, the market for municipal issues continued to decline. Advisory fees in 1995 were down 13% to $11,251,000 from $12,867,000 in 1994 due to the timing of billings and somewhat lower activity levels from investment banking

assignments. In the ordinary course of business, the company carries life insurance on its executives and former executives. Other income increased to $4,907,000 from $3,651,000 in 1994 primarily due to the proceeds from such insurance.

Expenses totalled $149,602,000 in 1995, an increase of 10% from $136,287,000 in 1994. Compensation and related expenses, which are largely volume-related, increased 4% to $87,051,000 from $83,624,000 in 1994. The comparative increase in compensation costs was partially off-set by the reduction by the latter part of 1994 of certain fixed costs associated with Reich & Co. Inc., which was acquired in December, 1993. Clearing and exchange fees which are also partially volume-related were $7,511,000, up 6% from $7,103,000 in 1994. Communications costs were $15,018,000, up slightly from $14,989,000 in 1994 due to externally-driven cost increases. Occupancy costs were $9,305,000, down 2% from $9,477,000 in 1994 due to restructuring of certain branches and favourable lease negotiations. Interest expense of $21,527,000 in 1995 represented an increase of 83% from $11,786,000 in 1994. Funding of higher customer debit balances was largely accomplished through stock lending activity. Such funding activity increased the cost of borrowing during 1995 compared to 1994. Other expenses were $9,190,000, down 1% from $9,308,000 in 1994.

Liquidity and Capital Resources

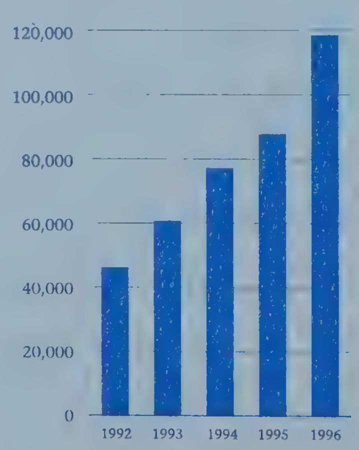
The increase in the Company's financial assets during the last three years has been primarily the result of the expansion in its business and the growth in earnings. Customer-related receivables and securities inventory are highly liquid and represent a substantial percentage of total assets. The principal sources of financing for the Company's assets are stockholders' equity, customer free credit balances, proceeds from securities lending, bank loans and other payables. The Company has not utilized long-term financing. Cash generated from operations, increased earnings, proceeds from stock purchased by employee stock plans, and cash proceeds upon the exercise of employee stock options supplemented bank borrowings during the past three years. At December 31, 1996, Fahnestock had bank lines of credit and call loan arrangements with outstanding borrowings thereunder of $11,800,000.

The Company paid cash dividends to its shareholders totalling $4,296,000, during 1996, from internally-generated cash.

Because of the Company's strong financial condition, size and earnings history, management believes adequate sources of credit would be available to finance higher trading volumes, branch expansion, and major capital expenditures, as needed.

Net Regulatory Capital

(Expressed in thousands of U.S. dollars)



Inflation

Because the assets of the Company's brokerage subsidiaries are highly liquid, and because securities inventories are carried at current market values, the impact of inflation generally is reflected in the financial statements. However, the rate of inflation affects the Company's costs relating to employee compensation, rent, communications and certain other operating costs, and such costs may not be recoverable in the level of commissions charged. To the extent inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect the Company's financial position and results of operations.

Factors Affecting "Forward-Looking Statements"

From time to time, the Company may publish "Forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Act"), and Section 21E of The Securities Exchange Act of 1934 as amended (the "Exchange Act") or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products, anticipated market performance, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i)transaction volume in the securities markets, (ii)the volatility of the securities markets, (iii)fluctuations in interest rates, (iv)changes in regulatory requirements which could affect the cost of doing business, (v)fluctuations in currency rates, (vi)general economic conditions, both domestic and international, (vii)changes in the rate of inflation and the related impact on the securities markets, (viii)competition from existing financial institutions and other new participants in the securities markets, (ix)legal developments affecting the litigation experience of the securities industry, and (x)changes in federal and state tax laws which could affect the popularity of products sold by the Company. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Fahnestock Viner Holdings Inc. were prepared by management in accordance with generally accepted accounting principles in Canada. The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements.

Management is responsible for the integrity and objectivity of the information contained in the consolidated financial statements. In order to present fairly the financial position of the Company and the results of its operations and the changes in its financial position, estimates which are necessary are based on careful judgements and have been properly reflected in the consolidated financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

Coopers & Lybrand, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with generally accepted auditing standards in Canada. Their audit includes a review and evaluation of the Company's systems of internal control, and such tests and procedures as they consider necessary in order to form an opinion as to whether the consolidated financial statements are presented fairly in accordance with accounting principles generally accepted in Canada.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors is assisted in this responsibility by its Audit Committee, a majority of whose members are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls, consolidated financial statements, and the auditor's report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Albert G. Lowenthal
Chairman of the Board and
Chief Executive Officer

E.K. Roberts.
President and
Treasurer

January 29, 1997

Auditors' Report

To the Shareholders of
Fahnestock Viner Holdings Inc.

We have audited the consolidated balance sheets of Fahnestock Viner Holdings Inc. as at December 31, 1996 and 1995 and the consolidated statements of operations, retained earnings and changes in financial position for the years ended December 31, 1996, 1995 and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years ended December 31, 1996, 1995 and 1994 in accordance with accounting principles generally accepted in Canada.

Coopers & Lybrand

Toronto, Ontario
January 29, 1997

Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at December 31

Assets

	1996	1995
	(Expressed in thousands of U.S. dollars)	
Current assets		
Cash	$ **9,363**	$ 9,707
Restricted deposits (note 2)	**1,902**	1,242
Receivable from brokers and clearing organizations	**186,543**	303,610
Receivable from customers	**266,142**	253,184
Securities owned, at market value (notes 3 and 5)	**41,596**	36,850
Demand notes receivable	**30**	30
Other	**10,143**	14,686
	515,719	619,309
Other assets		
Stock exchange seats (approximate market value $3,503; $2,911 in 1995)	**1,411**	1,446
Fixed assets, net of accumulated depreciation of $3,853; $3,118 in 1995	**1,856**	1,595
Goodwill, at amortized cost	**930**	1,116
	4,197	4,157
	$519,916	$ 623,466

Liabilities and Shareholders' Equity

	1996	1995
	(Expressed in thousands of U.S. dollars)	
Current liabilities		
Drafts payable	**$ 12,439**	$ 16,821
Bank call loans (note 5)	**11,800**	41,200
Payable to brokers and clearing organizations	**193,965**	319,843
Payable to customers	**91,880**	79,494
Securities sold, but not yet purchased, at market value (note 3)	**32,756**	25,940
Accounts payable and other liabilities	**29,366**	23,627
Income taxes payable (note 8)	**11,803**	9,106
	384,009	516,031
Subordinated loans payable (note 4)	**30**	30
Shareholders' equity		
Share capital (note 6)		
12,265,760 Class A non-voting shares (1995-11,940,410 shares)	**40,024**	37,849
99,680 Class B voting shares	**133**	133
	40,157	37,982
Contributed capital (note 7)	**1,099**	785
Retained earnings	**94,621**	68,638
	135,877	107,405
	$519,916	$ 623,466

Commitments and contingencies (notes 10 and 12)

Approved on behalf of the Board:

Director Director

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31

	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
Revenue			
Commissions	**$73,992**	$ 69,072	$ 61,259
Principal transactions	**80,508**	56,430	44,734
Interest	**32,981**	36,233	23,612
Underwriting fees	**8,672**	6,540	11,130
Advisory fees	**14,189**	11,251	12,867
Other	**3,646**	4,907	3,651
	213,988	184,433	157,253
Expenses			
Compensation and related expenses	**102,059**	87,051	83,624
Clearing and exchange fees	**7,262**	7,511	7,103
Communications	**15,002**	15,018	14,989
Occupancy costs	**10,176**	9,305	9,477
Interest	**16,311**	21,527	11,786
Other	**9,276**	9,190	9,308
	160,086	149,602	136,287
Profit before income taxes	**53,902**	34,831	20,966
Income tax provision (notes 8)	**23,623**	13,932	9,186
Net profit for the year	**$30,279**	$ 20,899	$ 11,780
Profit per share (note 9)			
– basic	**$ 2.42**	$ 1.70	$ 0.96
– fully diluted	**$ 2.30**	$ 1.64	$ 0.93

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31

	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
Retained earnings, beginning of year	**$68,638**	$ 49,566	$ 39,638
Net profit for the year	**30,279**	20,899	11,780
Dividends paid	**(4,296)**	(1,827)	(1,852)
Retained earnings, end of year	**$94,621**	$ 68,638	$ 49,566

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31

	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
Cash provided by (used for)			
Operating activities			
Net profit for the period	**$ 30,279**	$ 20,899	$ 11,780
Charges not affecting cash:			
Depreciation and amortization	**955**	579	590
Decrease (increase) in non-cash operating capital			
Restricted deposits	**(660)**	(48)	92
Receivable from brokers and clearing organizations	**117,067**	(85,412)	(47,930)
Receivable from customers	**(12,958)**	(16,428)	(36,938)
Securities owned	**(4,746)**	(6,683)	7,515
Other assets	**4,543**	(5,734)	(1,423)
Drafts payable	**(4,382)**	3,902	475
Payable to brokers and clearing organizations	**(125,878)**	59,331	69,089
Payable to customers	**12,386**	1,527	6,566
Securities sold, but not yet purchased	**6,816**	13,899	(1,859)
Accounts payable and other liabilities	**5,739**	3,069	(1,050)
Income taxes payable	**2,697**	7,110	(4,442)
	31,858	(3,989)	2,465
Investing and other activities			
Proceeds from sale of exchange seat	**—**	164	32
Purchase of stock exchange seats	**—**	(7)	—
Purchase of fixed assets	**(995)**	(597)	(653)
	(995)	(440)	(621)
Financing activities			
Cash dividends paid on Class A non-voting and Class B shares	**(4,296)**	(1,827)	(1,852)
Issuance of Class A non-voting shares	**2,175**	691	1,493
Tax benefit from employee options exercised	**314**	—	580
Repurchase of Class A non-voting shares for cancellation	**—**	(1,146)	(1,673)
Increase (decrease) in bank call loans	**(29,400)**	5,375	3,214
	(31,207)	3,093	1,762
Increase (decrease) in cash	**(344)**	(1,336)	3,606
Cash, beginning of year	**9,707**	11,043	7,437
Cash, end of year	**$ 9,363**	$ 9,707	$ 11,043

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

Fahnestock Viner Holdings Inc. (the "Company") is incorporated under the laws of Ontario. The Company's principal subsidiary, Fahnestock & Co. Inc. ("Fahnestock"), is a member of the New York Stock Exchange , the American Stock Exchange and several other regional exchanges.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. In all material respects, they conform with accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The most significant estimates are related to income taxes and contingencies. Actual results could be materially different from these estimates.

Since operations are predominantly based in the United States, these consolidated financial statements are presented in U.S. dollars.

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The major subsidiaries, wholly-owned and operated in the U.S. are as follows:

Fahnestock & Co. Inc.	— broker/dealer in securities
Freedom Investments, Inc.	— discount broker in securities
Hudson Capital Advisors Inc.	— investment advisory services

Significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Brokerage operations

Transactions in proprietary securities and related revenues and expenses are recorded on a trade date basis. Customer securities and commodities transactions are reported on a settlement date basis which is generally three business days. Related commission income and expense is recorded on a trade date basis. Securities owned are recorded at market value based upon quoted prices. Securities owned and securities sold not yet purchased used for trading purposes are reported at market value. Realized and unrealized changes in market value are recognized in net trading revenues in the period in which the change occurs. Other financial instruments are carried at fair value or amounts that approximate fair value.

(c) Goodwill

Goodwill, acquired upon the acquisition of Fahnestock and Fahnestock International Inc., is being amortized to operations on a straight-line basis over twenty years. Negative goodwill arising as a result of the acquisition of Hopper Soliday Corporation and subsidiaries and Reich & Co., Inc. is being amortized to operations on a straight-line basis over twenty years.

(d) Fixed assets

Fixed assets and stock exchange seats are stated at cost. Depreciation and amortization are provided based on the straight-line method over the useful life of these assets.

(e) Foreign currency translations

Canadian currency balances have been translated into U.S. dollars as follows: monetary assets and liabilities at exchange rates prevailing at year end; revenue and expenses at average rates for the year; and non-monetary assets and share capital at historic rates.

2. Restricted deposits

Deposits of $1,902,000 (1995-$1,242,000) were held at year end in a special reserve bank account for the exclusive benefit of customers in accordance with regulatory requirements. To the extent permitted, these deposits are invested in interest bearing accounts collateralized by qualified securities.

3. Securities owned and sold, but not yet purchased

	1996	1995
	(Expressed in thousands of U.S. dollars)	
Securities owned consist of:		
Corporate equities	$ 22,846	$ 20,756
Corporate debt	10,963	8,311
U.S. government and agency and state and municipal government obligations	5,782	6,757
Securities purchased to resell	2,005	1,016
Certificate of deposit	—	10
	$ 41,596	$ 36,850
Securities sold, but not yet purchased consist of:		
Corporate equities	$ 30,170	$ 24,146
Corporate debt	512	671
U.S. government and agency and state and municipal government obligations	2,074	1,123
	$ 32,756	$ 25,940

4. Subordinated loans payable

	1996	1995
	(Expressed in thousands of U.S. dollars)	
Due in 1999 at 5.5%	$ 30	$ 30

5. Bank call loans

Bank call loans bear interest at various rates but not exceeding the broker call rate, which was 6 7/8% at December 31, 1996. These loans, collateralized by firm and customer securities with a market value of approximately $19,201,000 and $33,288,000, respectively, are primarily with one major money center bank. Details of the bank call loans are as follows:

December 31	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
Year-end balance	$11,800	$41,200	$35,825
Weighted interest rate (at end of year)	6.343%	7.25%	7.25%
Maximum balance (at any month end)	$23,150	$41,200	$69,050
Average amount outstanding (during the year) (2)	$10,867	$17,446	$29,634
Weighted average interest rate (during the year) (1)	5.97%	5.093%	2.116%

(1) The weighted average interest rate during the year was computed by dividing the actual interest expense by the average bank call loans outstanding.

(2) The average amount outstanding during the year was computed by adding amounts outstanding at the end of each month and dividing by twelve.

Aggregate interest paid by the Company on a cash basis during the years ended December 31, 1996, 1995, and 1994 was $17,721,000, $22,900,000 and $11,546,000, respectively.

6. Share capital

The Company's authorized share capital consists of (a) an unlimited number of first preference shares issuable in series; (b) an unlimited number of Class A non-voting shares; and (c) 99,680 Class B voting shares.

The Class A non-voting and the Class B voting shares are equal in all respects except that the Class A non-voting shares are non-voting.

All of the above-referenced classes of shares are without par value.

The Company's issued and outstanding share capital is as follows:

	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
12,265,760 (11,940,410 in 1995 and 11,995,000 in 1994)			
Class A non-voting shares	$ 40,024	$37,849	$38,304
99,680 Class B voting shares	133	133	133
	$ 40,157	$37,982	$38,437

The Company has outstanding options with certain employees to purchase a total of 1,033,000 Class A non-voting shares as follows:

Number of shares	Date of Issue	Option price	Expiry date
100,000	June 1, 1992	Cdn.$ 7.88	May 31, 1997
150,000	January 27, 1993	Cdn.$ 7.38	January 26,1998
100,000	January 28, 1994	Cdn.$ 12.50	February 28, 1999
250,000	March 1, 1994	Cdn.$ 12.25	February 28, 1999
100,000	June 6, 1994	Cdn.$ 9.00	June 5, 1999
20,000	January 2, 1996	Cdn.$ 12.62	January 1, 2001
147,000	May 29, 1996	Cdn.$ 15.70	May 28, 2001
140,000	July 16, 1996	Cdn.$ 15.75	July 15, 2001
21,000	December 16, 1996	US $ 14.38	December 15, 2001
5,000	December 31, 1996	Cdn.$ 19.80	December 31, 2001

During 1996, options to purchase 212,350 Class A non-voting shares (21,875 in 1995 and 246,250 in 1994) were exercised for cash totaling $1,175,000 ($70,000 in 1995 and $609,000 in 1994). The number of options vested at December 31, 1996 was 223,750 (263,625 in 1995 and 169,000 in 1994). The authorized number of Class A non-voting shares that may be made subject to options under the Company's employee stock option plans is 1,850,000.

The Company issued Class A non-voting shares from Treasury to the Company's 401(k) plan as follows:

Year	Number of shares	Date of issue	Issue Price per share
1994	92,000	January 27, 1995	Cdn.$ 9.00
1995	113,000	January 10, 1996	Cdn.$ 12.24
1996	70,000	January 14, 1997	US $ 14.375

In 1996, the Company paid cash dividends to holders of Class A non-voting and Class B shares as follows (US$0.15 in 1995):

Dividend per share	Record Date	Payment Date
US$0.20	February 9, 1996	February 23, 1996
US$0.05	May 9, 1996	May 23, 1996
US$0.05	August 9, 1996	August 23, 1996
US$0.05	November 8, 1996	November 22, 1996

The Company may purchase up to 800,000 Class A non-voting shares by way of a Normal Course Issuer Bid through the facilities of The Toronto Stock Exchange. During the year ended December 31, 1996, the Company made no such purchases. Unless terminated earlier by the Company, it may continue to purchase shares up to June 24, 1997.

7. Contributed capital

Contributed capital represents the tax benefit on the difference between market price and exercise price on employee stock options exercised in 1992, 1994 and 1996.

8. Income taxes

The income tax provision shown in the consolidated statement of operations is reconciled to amounts of tax that would have been payable (recoverable) from the application of combined federal, state, provincial and local tax rates to pre-tax profit as follows:

	1996	1995	1994
	(Expressed in thousands of U.S. dollars)		
Profit before income tax	$ 53,902	$34,831	$20,966
U.S. federal tax at 35%	$ 18,876	$12,268	$ 7,533
Canadian tax at 44%	(13)	(97)	(245)
Combined state and local tax	7,378	4,564	2,870
Income taxes before undernoted	26,241	16,735	10,158
Tax effect of non-taxable interest and dividends	(271)	(269)	(201)
Tax effect on other differences between accounting and taxable income	(2,347)	(2,534)	(771)
Income taxes	$ 23,623	$13,932	$ 9,186
Profit (loss) before income tax provision			
Canadian operations	$ (29)	$ (220)	$ (557)
U.S. operations	$ 53,931	$35,051	$ 21,523

The current U.S. income tax provision in 1996 is $23,623,000 (13,932,000 in 1995 and $9,186,000 in 1994). The current Canadian income tax provision in 1996 is nil (nil in 1995 and 1994).

Aggregate deferred tax assets, which relate to fixed assets and acquired net operating losses, are included in other assets and amounted to $190,000.

On a cash basis, the Company paid income taxes for the years ended December 31, 1996, 1995 and 1994 in the amounts of $19,467,000, $6,731,000 and $7,337,000, respectively.

9. Profit per share

Earnings per share has been calculated using the weighted average number of Class A non-voting and Class B shares outstanding during the year: 1996 -13,329,197; 1995-12,979,302; 1994-12,731,235.

10. Commitments and contingencies

(a) The Company and its subsidiaries are obligated under lease agreements to pay the following future minimum rentals:

1997	$ 5,149,000
1998	3,399,000
1999	807,000
2000	183,000
2001	79,000

Certain of the leases contain provisions for rent escalation based on increases in costs incurred by the lessor.

The Company's rent expense for the years ended December 31, 1996, 1995 and 1994 was $5,566,000, $5,411,000 and $6,063,000, respectively.

(c) The Company maintains a contribution based retirement plan covering substantially all full-time U.S. employees. The plan provides that the Company may make discretionary contributions. The Company made contributions to the plan of $1,922,000, $1,600,000 and $1,110,000 in 1996, 1995 and 1994, respectively.

(d) Commercial banks have issued letters of credit on behalf of the Company for $17,000,000 deposited with one clearing organization of which $11,697,000 is collateralized by securities owned or held on behalf of customers.

(e) The Company is involved in certain litigation arising in the ordinary course of business. Management believes, based upon discussion with counsel, that the outcome of this litigation will not have a material effect on the Company's financial position. The materiality of legal matters on the Company's future operating results depends on the level of future results of operations as well as the timing and ultimate outcome of such legal matters.

(f) The Company's subsidiary, Fahnestock, is subject to the uniform net capital requirements of the Securities and Exchange Commission ("SEC") under Rule 15c3.1. Fahnestock computes its net capital requirements under the alternative method provided for in the Rule which requires that Fahnestock maintain net capital equal to two percent of aggregate customer related debit items, as defined in SEC Rule 15c3-3. At December 31, 1996, Fahnestock had net capital of $118,539,000 which was $112,546,000 in excess of the $5,994,000 required to be maintained at that date.

11. Comparative figures

Certain 1995 and 1994 figures have been reclassified in order to conform with the financial statement presentation adopted for 1996.

12. Financial instruments with off-balance sheet risk and concentration of credit risk

In the normal course of business, the Company's securities activities involve execution, settlement and financing of various securities transactions for customers. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill their contractual obligations. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

Securities sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amount recognized on the balance sheet. Inventory positions are monitored on a daily basis to minimize the risk of loss.

The Company's customer financing and securities lending activities require the Company to pledge customer securities as collateral for various secured financing sources such as bank loans and securities loaned. At December 31, 1996, approximately $49,700,000 of securities loaned are collateralized by customer securities. Included in receivable from brokers and clearing organizations are receivables from four major broker-dealers totaling $107,928,000.

The Company monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

13. Differences between Canadian and United States generally accepted accounting principles

There are no significant differences between Canadian and U.S. accounting principles. New accounting standards issued but not effective would not have a material impact on the Company's financial statements.

14.Subsequent event

On January 29, 1997, a cash dividend of U.S.$0.06 per share (totaling $746,000) was declared payable on February 21, 1997 to holders of Class A non-voting and Class B shares of record February 10, 1997.

Fahnestock & Co. Inc. Branch Offices

2103 Stefko Boulevard
Bethlehem, PA 18017
(215) 867-8631

399 Northwest Boca Raton Blvd.
Boca Raton, FL 33432
(407) 392-0111

70 Franklin Street
Boston, MA 02110
(617) 261-2350

19 Brookwood Avenue
Suite 103
Carlisle, PA 17013
(717) 249-2818

1103 E. Broadway
Suite 200
Columbia, MO 65201
(303) 586-1895

301 Main Street
Danbury, CT 06810
(203) 748-2626

60 North Main Street
Suite 200
Doylestown, PA 18901
(215) 348-8104

1186C Graves Avenue
Estes Park, CO 80517
(303) 586-1895

222 North Milliken Boulevard
Fall River, MA 02721
(508) 324-1111

3 School Street
Glen Cove, NY 11542
(516) 759-4000

1010 Northern Boulevard
Great Neck, NY 11021
(516) 466-9000

2500 E. Hallandale Beach Blvd.
Hallandale, FL 33009
(305) 457-9900

200 North Main Street
Hutchinson, KS 67501
(316) 663-5461

118 East High Street
Jefferson City, MO 65101
(314) 636-3141

Rydal Square Building
500 Old York Road
Jenkintown, PA 19046
(215) 887-7660

555 West Crosstown Parkway
Suite 100
Kalamazoo, MI 49008
(616) 381-2500

4717 Grand Avenue, Suite 700
Kansas City, MO 64112
(816) 932-7000

1501 East Illinois
Kirksville MO 63501
(816) 627-4740

1300 Walt Whitman Road
Melville, NY 11741
(516) 424-0700

777 Brickell Avenue
Suite 702
Miami, FL 33131
(305) 577-3761

West Wings Commercial Center
254 Route 17K
Newburgh, NY 12550
(914) 567-0790

780 3rd Avenue
New York, NY 10017
(212) 446-4480

805 3rd Avenue
New York, NY 10022
(212) 751-5577

1065 North 115th Street, Suite 210
Omaha, NE 68154
(402) 493-0309

30100 Chagrin Boulevard, #210
Pepper Pike, OH 44124
(216) 765-5900

1500 Walnut Street, 14th Floor
Philadelphia, PA 19102
(215) 893-8000

Frick Building
437 Grant Street, Suite 915
Pittsburgh, PA 15219
(412) 281-6111

220 State Street
Portsmouth, NH 03801
(603) 436-7626

215 South Centre Street
Pottsville, PA 17901
(717) 622-4844

742 Alexander Road
Princeton, NJ 08540
(609) 734-0400

1250 Hancock Street
Quincy MA 02169
(617) 471-1200

3 Harding Road
Red Bank, NJ 07701
(908) 224-9000

101 California Street, Suite 2020
San Francisco, CA 94111
(415) 693-9213

217 W. 27th Street
Scottsbluff, NE 69361
(308) 632-6123

7373 North Scottsdale Road
Scottsdale, AZ 85253
(602) 596-1211

225 North Wahington Avenue
Scranton, PA 18503
(717) 969-3125

PO Box 507/Heritage Village
Southbury, CT 06488
(203) 264-6511

1012 Bethlehem Pike, Suite 201
Spring House, PA 19477
(215) 654-8230

600 Emerson Road, Suite 450
St Louis, MO 63141
(314) 993-0990

382 Springfield Avenue
Suite 500
Summit, NJ 07901
(908) 273-2100

Bank IV Tower
534 Kansas Avenue
Topeka, KS 66603
(913) 235-9281

Old Post Office Square
8 Church Street
Torrington, CT 06790
(203) 489-3151

150 South Main Street
Wallingford, CT 06492
(203) 284-1990

9 Holmes Avenue
Waterbury, CT 06710
(203) 574-2200

Farm Credit Bank Building
245 No. Waco, Suite 500
Wichita, KS 67202
(316) 265-9511

Harrisburg, PA Office
1015 Mumma Road
Wormleysburg, PA 17043
(717) 763-8200

South American Offices

San Martin 551, 1st Floor
Argentina, Buenos Aires
Telephone: 011-541-393-7552

Edificio Seguros Venezuela
Avenida Francisco De Miranda
Apartado 3089
Venezuela, Caracas
Telephone: 011-582-323876/79

Officers

A.G. Lowenthal
Chairman of the Board
and Chief Executive Office

E.K. Roberts, C.A.
President and Treasurer

A.W. Oughtred
Secretary

Board of Directors

*◊ J.L. Bitove
◊ R. Crystal
A.G. Lowenthal
* K.W. McArthur
A.W. Oughtred
E.K. Roberts
*◊ B. Winberg

* members of the audit committee
◊ members of the compensation and stock option committee

Solicitors (Canada)

Borden & Elliot
Toronto

Counsel (U.S.)

Whitman Breed Abbott & Morgan,
New York

Auditors

Coopers & Lybrand

Registrar and Transfer Agent

Montreal Trust Company
15 King Street West
Toronto, Canada

Principal Offices

Fahnestock Viner Holdings Inc.
P.O. Box 2015, Suite 1110
20 Eglinton Avenue West
Toronto, Canada M4R 1K8
(416) 322-1515 FAX (416) 322-7007

Fahnestock & Co. Inc.
110 Wall Street
New York, NY 10005
(212) 668-8000 FAX (212) 943-8728
www.fahnestock.com

Hudson Capital Advisors
805 3rd Avenue
New York, NY 10022
(212) 644-3200 FAX (212) 486-1007

Freedom Investments, Inc.
11422 Miracle Hills Drive, Suite 501
Omaha, NE 68154
(402) 431-8500 FAX (402) 431-8563
www.freedominvestments.com

Fahnestock Structured Asset Sales Group
805 3rd Avenue
New York, NY 10022
(212) 750-0210 FAX (212) 750-0464

Annual Meeting

The Annual Meeting will be held at
The Varley Room, Toronto Hilton
145 Richmond Street West, Toronto, Canada
Monday, June 2, 1997 at 4:15 P.M.

Designed by Joseph Marcou Design Inc., New York, NY